

Message Text

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43

ACTION EB-07

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AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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E. O. 11652: N/A

TAGS: ETRD, GATT, BR

SUBJECT: GOB CAUTIOUS AND APPREHENSIVE RE TRADE ACT

BEGIN UNCLASSIFIED

1. SUMMARY - GOB MINISTERS BEGIN DISCUSSIONS FOR STRATEGY ON TRADE ACT AND MTN. STATEMENTS FOLLOWING MINISTERIAL MEETING EMPHASIZED CAUTIOUS APPROACH TOWARD POTENTIAL PROBLEMS ARISING FROM TRADE ACT AND SUGGESTED NEED FOR DEFENSIVE MEASURES AGAINST PROTECTIONIST APPLICATION. END SUMMARY.

2. THE US TRADE ACT CAME BACK TO THE FRONT PAGES OF MAJOR BRAZILIAN NEWSPAPERS THIS WEEK FOLLOWING A CABINET-LEVEL MEETING OF THE MINISTERS OF FINANCE, PLANNING, MINES & ENERGY, AGRICULTURE, INDUSTRY & COMMERCE, AND FOREIGN AFFAIRS TO DISCUSS GOB STRATEGY CONCERNING THE US TRADE ACT, BRAZILIAN POSITIONS ON MTN, AND THE POTENTIAL EFFECTS OF US COUNTERVAILING DUTIES.

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3. IN A CLEAR REFERENCE TO THE TRADE ACT, MINISTER OF INDUSTRY

& COMMERCE SEVERO GOMES TOLD PRESS FOLLOWING THE MEETING THAT LEGAL MEANS SHOULD BE FOUND TO PERMIT BRAZIL TO DISCRIMINATE AGAINST THOSE WHICH DISCRIMINATE AGAINST HER.

4. FINANCE MINISTER SIMONSEN TOLD THE PRESS THAT THE MEETING WAS THE FIRST OF A SERIES OF HIGH LEVEL DISCUSSIONS TO SEARCH FOR GUIDELINES TO DETERMINE BRAZIL'S POSITION TOWARD THE TRADE ACT. SIMONSEN ADDED THAT THIS POSITION WILL BE DETERMINED CAUTIOUSLY AND WITHOUT EMOTION. HE SAID THAT THE TRADE ACT PERMITTED THE USG TO UNDERTAKE TRADE NEGOTIATIONS BUT IT REMAINED TO BE SEEN IF US PARTICIPATION WOULD CREATE A NEW STRUCTURE FAVORABLE TO DEVELOPING COUNTRIES OR FREEZE THE WORLD ECONOMY. SIMONSEN REPORTEDLY STATED THAT NOBODY LIKES THE TRADE ACT BUT THE QUESTION REMAINS "WHO IS GOING TO BELL THE CAT?" THE MINISTER'S SYMBOLISM WAS TAKEN BY O JORNAL DO BRASIL AS A CLEAR REFERENCE TO THE RISKS OF AN INITIATIVE CONFRONTING THE US. HOWEVER, JORNAL DE BRASILIA TOOK THE EXPRESSION AS AN INDICATION OF THE DIFFICULTIES BRAZIL IS ENCOUNTERING DUE TO CURRENT UNCERTAINTIES IN INTERNATIONAL TRADE AND THE GOB'S CONVICTION THAT THE GATT MEETING IN APRIL WILL DETERMINE THE FUTURE COURSE OF TRADE NEGOTIATIONS.

5. ACCORDING TO O ESTADO DE SAO PAULO, SIMONSEN FURTHER SAID THAT THE MAJOR CONCLUSION OF THE MINISTERIAL MEETING WAS THAT BRAZIL WILL HAVE TO LIVE WITH THE TRADE ACT. SIMONSEN ALSO REPORTEDLY SAID THAT ONE OF THE ALTERNATIVES UNDER STUDY TO CONFRONT THE RESTRICTIONS OF THE TRADE ACT WAS THE GRANTNG OF TRADE PREFERENCES TO OTHER COUNTRIES, ALTHOUGH HE CAUTIONED THAT SUCH A MEASURE WOULD HAVE TO BE TAKEN WITH GREAT CARE.

SIMONSEN DID NOT ELABORATE ON THIS CONCEPT OF REVERSE PREFERENCES, BUT THE ESTADO DE SAO PAULO WAS QUICK TO EDITORIALIZE THAT THE TRADE ACT PROVIDED FOR RETALIATION AGAINST REVERSE PREFERENCES, AND THAT SUCH A POLICY WOULD BE SUICIDAL FOR BRAZIL'S RELATIONS WITH THE US.

6. REGARDING US COUNTERVAILING DUTIES, SIMONSEN REPORTEDLY STATED THAT THE RATES APPLIED ON BRAZILIAN FOOTWEAR WERE LOWER THAN HAD BEEN EXPECTED AND THAT, EXCEPT FOR LEATHER PURSES, THE PROBLEM OF RESTRICTIONS HAD BEEN RESOLVED.

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PRESS ALSO MENTIONED THAT A RECENT COMPLAINT AGAINST CASTOR OIL HAD NOT BEEN ACCEPTED BY THE US TREASURY.

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7. COMMENT - LARGE AMOUNT OF ATTENTION GIVEN TO RESTRICTIVE AUTHORITIES CONTAINED IN TRADE ACT INDICATES THE GENERAL APPREHENSION AMONG GOB OFFICIALS AND INFORMED PUBLIC THAT,

DESPITE GSP AND AUTHORITIES TO NEGOTIATE LIBERAL TRADE CONCESSIONS, US ADMINISTRATION WILL BE UNABLE TO RESIST PRESSURES FROM DOMESTIC GROUPS AND CONGRESS FOR IMPORT RELIEF AND RETALIATION AGAINST FOREIGN EXPORT PRACTICES. SEVERO GOMES' STATEMENT THAT BRAZIL WILL USE DISCRIMINATION AGAINST THOSE WHO DISCRIMINATE REFLECTS A SENTIMENT THAT COULD GAIN CONSIDERABLE APPEAL AMONG GOB POLICY-MAKERS SHOULD EARLY PROSPECTS FOR A SUCCESSFUL MTN DIM OR SHOULD BRAZIL BE SUBJECT TO ACTIONS SUCH AS NEW US COUNTERVAILING COMPLAINTS OR BROAD INTERPRETATION OF TITLE III PROVISION ON COMMODITY SUPPLY RESTRICTIONS.

CRIMMINS

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